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ABSTRACT

This report asserts that college work-study programs have been very successful in creating wage-paying jobs for low-income students who need funds for college expenses. There are compelling reasons to build on this legacy of college work-study to create new work-study initiatives designed explicitly for welfare recipients. Some of the key program design and implementation issues that should be considered in planning new work-study initiatives are described. Two programs are described that could serve as programmatic bases for new initiatives: The Federal Work-Study (FWS) program, which has operated for more than 30 years, and California's state-funded work-study program. Some of the key design issues are establishing and funding an effective program structure, selecting recipients, and developing appropriate placements. How to avoid reductions in future student financial aid and other benefits and how to prevent displacement of current FWS participants are other issues to consider. The likely alternative to work-study programs for welfare recipients is reduction in welfare recipients' access to postsecondary education, something that may undermine the efforts of states and local communities to promote long-term economic self-sufficiency among their poorest residents. (SLD)

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Work-Study Programs for Welfare Recipients: A Job Creation Strategy That Combines Work and Education

By Clifford M. Johnson and Ester Kaggwa

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CENTER ON BUDGET AND POLICY PRIORITIES

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WORK-STUDY PROGRAMS FOR WELFARE RECIPIENTS: A JOB CREATION STRATEGY THAT COMBINES WORK AND EDUCATION

by Clifford M. Johnson and Esther Kaggwa

College work-study programs represent one of the nation's most successful public job creation efforts. Since 1965, thousands of institutions of higher education across the country have received annual allotments of federal funds to create wage-paying jobs for low-income students who need financial aid to meet their college expenses. Both students and colleges reap important benefits under this work-study approach: students gain earnings and work experiences that often are linked to their academic studies, while colleges gain access to another form of student financial assistance and also are able to improve and expand their services by placing large numbers of students in productive, on-campus jobs. For these reasons, work-study programs are enormously popular and typically enjoy strong, bipartisan support among policy makers.

There are compelling reasons to build upon this legacy of college work-study programs by creating new work-study initiatives designed explicitly to meet the needs of welfare recipients. Such initiatives:

- create publicly-funded, wage-paying jobs for welfare recipients who need additional skills and work experience in order to obtain unsubsidized jobs;
- enable parents receiving welfare to participate in postsecondary or vocational education (and perhaps receive academic credit for their work activities) while meeting new federal and state work requirements;
- provide opportunities for parents to earn wages and qualify for the federal Earned Income Tax Credit (EITC), thereby increasing their overall income substantially; and
- take advantage of the experience and program capacity already present within colleges that participate in the Federal Work-Study program while also engaging those colleges in broader welfare-to-work efforts.

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States and communities may be able to reap some of these benefits simply by increasing the number of students receiving welfare who are placed in work-study positions funded through the Federal Work-Study (FWS) program. If they rely solely upon this approach, however, states and communities are likely to find themselves constrained by both limited FWS funding and federal eligibility requirements that prevent some welfare recipients from participating in the FWS program. For these reasons, new work-study initiatives financed at least in part by other federal, state, or local funds also are likely to be needed.

The Clinton Administration has recognized the importance of new work-study initiatives as a way of expanding educational opportunities for welfare recipients. In September 1997, U.S. Secretary of Health and Human Services Donna Shalala and U.S. Secretary of Education Richard Riley sent a letter encouraging colleges "to work with state and local officials to provide employment opportunities that are aligned with academic schedules and allow students to stay in school," drawing particular attention to the opportunity to use FWS funds for this purpose. During the past year, several states and communities also have begun to develop new work-study initiatives for welfare recipients:

- California has made a substantial investment in work-study programs serving welfare recipients, providing funds to community colleges for a range of welfare-to-work activities and earmarking up to $34 million for work-study positions.

- A more modest effort is getting underway in Kentucky. The state will award $1 million this year in grants to colleges for projects that promote the success of welfare recipients enrolled in postsecondary education and/or provide opportunities for them to meet their work requirement. Work-study programs are one of many allowable activities under this competitive grant program.

- Philadelphia will use part of the competitive grant it has received from the U.S. Department of Labor under the federal welfare-to-work grant program to fund work-study positions for nearly 400 teen parents who graduate from high school and enroll in the Community College of Philadelphia.

This paper is intended to encourage the development of additional work-study initiatives at state and community levels by identifying key program design and implementation issues that should be considered by policy makers, college administrators, and other state and local leaders. Following a brief background discussion of education and welfare reform, the paper describes the Federal Work-Study program,

which offers both a conceptual framework and a potential programmatic base for new work-study initiatives, and California's state-funded work-study program. The remaining sections of the paper examine a series of important issues that should be considered in designing new work-study initiatives for welfare recipients issues, including key choices regarding administrative structures, financing sources, and eligibility requirements.

Background on Education and Welfare Reform

The federal welfare legislation enacted in 1996 and ensuing changes in state welfare policies make it more important than ever before to preserve access to post-secondary and vocational education for welfare recipients and other low-income Americans. In an era characterized by lifetime limits on cash assistance and renewed emphasis on work as the dominant source of income for poor families, these educational activities may offer one of the few avenues by which parents receiving welfare can prepare for and obtain stable, family-supporting jobs.

A substantial body of research suggests that postsecondary education is an effective means of increasing the employment and earnings of low-income individuals. For example, Thomas Kane and Cecilia Rouse analyzed national longitudinal data spanning nearly two decades to determine the effects of postsecondary education while attempting to control for differences between those who did and did not enroll in college.[1] The researchers found that women who received an Associate's degree earned hourly wages that were 19-23 percent higher than their counterparts without such a degree. Similarly, women who obtained a Bachelor's degree earned 28-33 percent more than their peers. These findings are consistent with earlier studies by Kane and Rouse as well as other researchers who have found that each year of postsecondary education generates increased earnings in the range of 6-12 percent.[2]

Other research has demonstrated the potential impact of postsecondary education on the earnings and future self-sufficiency of welfare recipients. A study of 253 welfare recipients who graduated from Eastern Washington University during the mid-1990's found that nearly 90 percent left the welfare rolls in a period of up to 18 months following graduation. In addition, approximately one-third of those

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[1] Thomas J. Kane and Cecilia Elena Rouse, "Labor-Market Returns to Two- and Four-Year College," *The American Economic Review*, Vol. 85, No. 3, June 1995, pp. 600-614.

[2] For a summary of other research on earnings gains associated with postsecondary education, see the U.S. Department of Labor's review of the economic impacts of employment and training programs, *What's Working and What's Not*, January 1995.

graduates who continued to receive cash assistance also were employed, usually part-time. The median wage of all welfare graduates who were employed was $11.00 per hour, and only 18 percent of these graduates were earning hourly wages of $8.00 or less.[3] A similar study of women in New York state who were receiving public assistance when they enrolled in college and who earned either two- or four-year degrees found that 87 percent left welfare after graduation, and almost half of those surveyed were earning more than $20,000 annually in 1989.[4]

Findings from New Chance, a national demonstration project for young mothers receiving welfare, provide further support for the conclusion that education credentials can enhance welfare recipients' earnings. While a rigorous evaluation of New Chance found only limited positive earnings effects associated with basic education, the gains achieved as a result of vocational training and college attendance were more significant. Receipt of a training certificate in particular yielded large earnings gains for young mothers on welfare: monthly earnings increased by an average of $121, rising 43 percent above average monthly earnings for all young mothers on welfare.[5]

Unfortunately, the new federal welfare law impedes rather than encourages the participation of welfare recipients in education. Under the Temporary Assistance to Needy Families (TANF) program, states are required to ensure that increasing proportions of parents in households receiving cash assistance are participating in work activities. The federal law specifies that parents must participate in work activities for at least 20 hours per week in FY 1998, 25 hours per week in FY 1999, and 30 hours per week in FY 2000 and succeeding years in order to count toward mandated work participation rates. Participation in postsecondary education in most instances cannot be included in the first 20 hours per week of countable work activities, although a maximum of 12 months of participation can be counted if a TANF recipient is enrolled in a postsecondary program that is deemed to be "vocational education."[6]

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[3] Thomas Karier, "Welfare Graduates: College and Financial Independence," Jerome Levy Economics Institute Policy Notes, 1998, No. 1 (The Jerome Levy Economics Institute of Bard College, Blithewood, Annandale-on-Hudson, New York 12504-5000).

[4] Marilyn Gittell, Margaret Schehl, and Camille Fareri, *From Welfare to Independence: The College Option* (New York: The Ford Foundation, March 1990).

[5] Johannes M. Bos, "Effects of Education and Educational Credentials on the Earnings of Economically Disadvantaged Young Mothers," Manpower Demonstration Research Corporation, 1996 (MDRC, 3 Park Avenue, New York, New York 10016).

[6] Only 30 percent of all welfare recipients in a state who are engaged in work and counted toward mandated work participation rates can be in such "vocational education" programs. Beginning in FY 2000, (continued...)

Despite the fact that many states are expected to have little or no difficulty meeting their work participation rates, these federal work mandates have discouraged states from adopting policies that permit welfare recipients to pursue postsecondary education opportunities that can enhance their skills and future earnings. New work-study initiatives for welfare recipients will not eliminate these barriers, but they can make it more feasible for parents to enroll or remain in college or vocational programs while simultaneously meeting federal and state work participation requirements.

The work-study option deserves particular attention because states have much greater latitude under TANF than they had under prior law to use welfare funds to create wage-paying jobs, including but not limited to work-study positions, for parents who meet state-established eligibility criteria. Under TANF, states can use federal funds as well as state "maintenance-of-effort" funds to create jobs directly in public and private non-profit agencies. These new opportunities under TANF, as well as new federal welfare-to-work grants available from the U.S. Department of Labor, create possibilities for financing new work-study initiatives for welfare recipients without disrupting or diverting funds from Federal Work Study programs that now enable colleges to provide work-study positions to a broader range of low-income students.

Description of the Federal Work-Study (FWS) Program

For more than three decades, the Federal Work-Study program has created part-time, wage-paying jobs for students enrolled in postsecondary institutions who need financial assistance to pay tuition and other costs of attendance. The FWS program is part of the federal student financial assistance system, and it provides annual allotments of federal funds to participating institutions of higher education. It is designed explicitly to enable students from low-income households to work while pursuing a postsecondary degree. Whenever possible, these work-study placements complement and reinforce students' academic work.

Nearly 3,400 institutions of higher education — including 953 public, two-year community colleges — participate in the FWS program. During the 1995-96 award year, more than 700,000 students earned an average of $1,087 through work-study placements. While the great majority of FWS funds are allocated to four-year colleges

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[6] (...continued)
teen parents enrolled in high school also must be counted as part of this 30 percent. An amendment to the Higher Education Act reauthorization approved by the Senate and now being considered by a House-Senate conference committee would revise these rules so that up to 24 months of postsecondary education could be counted as a work activity. The amendment also would repeal the requirement that teen parents be included as part of the 30-percent limit on vocational education.

and universities, students enrolled in two-year institutions earned $116 million (15 percent of total FWS earnings) during the 1995-96 award year. The federal FWS appropriation for the 1997-98 award year was $830 million, a one-third increase over the prior year's funding level. President Clinton has proposed another substantial increase in FWS funding for the 1999-2000 award year.

Both undergraduate and graduate students who are attending credit-based postsecondary institutions can participate in the Federal Work-Study program. To be eligible for a FWS award, a student must demonstrate a need for financial assistance in order to meet the costs of attending the institution. The size of such an award is determined after considering the expected family contribution toward the cost of college attendance, the student's income and resources, and other sources of financial aid available to the student. The student then is placed in a work-study job and allowed to work up to the number of hours necessary to earn the award amount.

FWS placements can be quite varied. Students may work on campus or for public, private non-profit, or for-profit employers, with the stipulation that placements must be linked to the extent possible to students' career goals. FWS funds typically can be used to pay up to 75 percent of wages, with the school, public agency, or non-profit employer providing the remaining portion as a required match. This matching requirement *does not apply* to historically black colleges and universities, as well as some community colleges and other institutions of higher education that serve a high proportion of disadvantaged students. It also is waived if a student works as a tutor for elementary school children under the U.S. Department of Education's America Reads Challenge program. The matching requirement rises to 50 percent in those instances where a student is placed in an FWS position with a for-profit employer.

The Federal Work-Study program has a number of other federal guidelines which the different institutions must follow. The following is a summary of the key rules on which the program operates:

- Students must be paid at least the minimum wage. All pay must be reasonable, taking in consideration the type of work performed, the geographic region, the employee's proficiency, and any applicable federal, state or local law. Students also receive reimbursement for work-related expenses.

- FWS funds can never be used to pay the costs of payroll taxes, fringe benefits, vacation pay, worker's compensation, pension plans, or any other insurance coverage for work-study students.

- Students employed in on-campus positions must perform duties that the school would normally hire someone to do. They can receive academic credit for work-study placements, but they cannot be paid to receive instruction in a class, laboratory, or other academic setting.

- Off-campus placements in public or private non-profit agencies must be in the public interest. FWS placements may not involve partisan, sectarian, or political activities and may not be made in organizations with restricted membership.

- At least five percent of each institution's FWS allocation must be used for community service placements designed to improve the quality of life for community residents. No more than 25 percent of each allocation may be used to pay for placements with for-profit employers.

- All off-campus placements must include formal agreements for training of the work-study student and a written contract approved by the institution's attorneys. FWS rules prohibit displacement of regular employees by work-study students.

- Colleges also may use up to 10 percent of the FWS allocation, or a maximum of $50,000, to expand their Job Location and Development (JLD) Program, which identifies and develops off-campus job opportunities for both work-study and non-work study students.

As in other publicly-funded job creation programs, colleges that establish an off-campus FWS program must decide whether the agency/company in which students are placed or the college itself will serve as the employer of record for a variety of legal purposes. According to the U.S. Department of Education, the employer is "generally considered to be the organization that will control the work of the FWS students, supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly." Colleges typically stipulate, in contracts with off-campus agencies/companies that accept FWS placements, who will assume these responsibilities and handle payroll, supervision, and related functions. Colleges also have to address a series of liability and risk management issues arising from the possibility of harm or injury incurred by students or resulting from the actions of students participating in the FWS program.

The FWS program has obvious strengths as a vehicle for helping welfare recipients combine work and postsecondary education activities. The potential to arrange on-campus or near-campus placements, coordinate work and class schedules,

and award academic credit for work performed in such placements represent important advantages for recipients struggling to balance work, school, and family responsibilities. The job development staff associated with college FWS programs also may be able to identify work-study placements that are related to recipients' career interests and thereby enhance both their educational progress and their future employability. Finally, because FWS is part of the federal student financial aid system, college administrators are able to consider the FWS award as part of a broader package of assistance needed to ensure that welfare recipients can continue their course of study at institutions of higher education.

Even with recent and proposed increases in FWS funding, however, many colleges may find it impossible to finance new work-study initiatives for welfare recipients by relying exclusively on available FWS funds. The allocation formula for federal campus-based student aid programs, including the FWS program, favors higher-cost institutions and those that successfully lobbied for high allocations when the programs were founded. As a result, community colleges and other lower-cost institutions that are more likely to enroll welfare recipients often have insufficient funds to serve all eligible students. Some colleges with more substantial amounts of FWS funding also may find it increasingly difficult to identify the necessary matching funds for on-campus positions (or to find adequate numbers of off-campus employers willing to provide these matching funds) as the FWS program expands.

Finally, some institutions of higher education have found that federal regulations governing all student financial assistance programs (including the FWS program) can constrain or interfere with their efforts to provide work-study positions for welfare recipients. For example, many community college students who receive welfare cannot qualify for the FWS program or other federal student aid because they are taking non-credit vocational courses that do not lead to a degree or they lack a high school diploma and fail to pass an "ability-to-benefit" test.[7] To the extent that these federal rules hinder the development of new work-study initiatives for welfare recipients, it may be important to rely upon funding sources other than the FWS program to support such efforts.

California's Work-Study Program for Welfare Recipients

Community colleges in California served large numbers of welfare recipients even before the most recent series of changes in federal and state welfare policies. An estimated 140,000 welfare recipients were enrolled in California's community colleges

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[7] To meet the "ability-to-benefit" test under federal student financial aid programs, the student must earn a minimum score on an examination approved by the U.S. Secretary of Education or demonstrate an ability to benefit in accordance with a state process approved by the Secretary.

in 1995-96. With such large numbers of welfare recipients already in the community college system, it is not surprising that the state launched a new $65 million initiative in 1997 to promote the development of welfare-to-work programs, including work-study programs, by community colleges. This new funding was drawn from state revenues earmarked for education programs under California's Proposition 98, and supplements $16 million in federal TANF and state Proposition 98 funds that previously had been set aside for welfare-to-work activities by community colleges.

The state legislation authorizing this new state funding for community colleges specifies that it is to be used to assist welfare recipients in five ways: to create work-study positions; to support job development and placement activities; to provide child care assistance; to coordinate college-wide and college/county welfare reform efforts; and to develop and redesign curriculum to meet the needs of welfare recipients.[8] The legislation also set out very specific parameters for apportionment of the new funding among these various activities:

- At least 28 percent of a college's allotment must be used to create new work-study positions.
- At least 23 percent of the allotment must be devoted to child care assistance.
- An additional 25 percent of the allotment can be used either for additional work-study positions or additional child care assistance.
- The remaining 24 percent of the allotment must be spent on curriculum development and redesign, coordination with other CalWORKs activities, and job development or placement efforts.

This structure ensures that at least $18.2 million in new state funding will be earmarked for the creation of new work-study positions by community colleges, and as much as $34.5 million could be used for this purpose. All funds provided under this new initiative (whether they are spent for work-study positions or other activities) must be used to assist students receiving welfare who are enrolled in community colleges, and they must supplement rather than supplant existing expenditures by the colleges for such purposes.

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[8] The legislation also authorized the use of a portion of these funds for academic instruction in instances in which a college otherwise would be unable to accommodate increases in the number of CalWORKs students enrolled in its programs. However, no community college has met the criteria laid out by the California Community Colleges Chancellor's Office to determine if such use is necessary and appropriate.

The new CalWORKs funding is being allocated among the community colleges according to a formula based upon the number of AFDC welfare recipients who were enrolled at each college beginning in 1995-96, with a minimum of $100,000 per community college district. Colleges interested in participating in the initiative were required to submit plans for the use of these funds to the California Community Colleges Chancellor's Office in November 1997. The community colleges developed their plans in consultation with county welfare offices, and each plan was reviewed by the Chancellor's Office to ensure that it complied with the program guidelines and goals. Community colleges that met these requirements received their first allotment of funds in February 1998.

The goals of the work-study program authorized under this new initiative are to create work opportunities that enable students on welfare to meet their federal and state work requirements while pursuing an educational program, to enable students to acquire relevant work experiences that enhance their employability, and to provide an additional source of income for students receiving welfare within the requirements of the CalWORKs program. The state funds in this work-study component will be used to pay up to 75 percent of the wages of welfare students employed in approved work-study positions. As in the FWS program, the remaining portion of students' wages must be provided by the community college or off-campus employers. Community colleges may negotiate and enter into agreements with for-profit employers to provide matching funds in excess of 25 percent. Either the community college or an off-campus employer must pay employer taxes such as FICA, unemployment, and workers' compensation and finance the costs of any employment-related benefits such as vacation, sick leave, and holiday pay.

CalWORKs and Federal Work-Study funding for work-study programs can be coordinated by community colleges if they choose to do so. Colleges can meet the matching requirement under the CalWORKs program by using FWS funds to serve welfare recipients who meet FWS eligibility requirements. CalWORKs funding also can be used to increase the number of hours of work available to a student already participating in the FWS program. However, another potential way of combining CalWORKs and FWS funding is prohibited under policies established by the Chancellor's Office: community colleges are barred from using CalWORKs funds to supplant the institutional funds they now provide to meet FWS matching requirements.

Community colleges are required to coordinate their CalWORKs activities (including but not limited to their work-study programs) with county welfare offices, and they are encouraged to spend eight percent of their allocation on such coordination efforts. These activities may occur at two levels:

- coordination between the colleges and county welfare departments and other relevant agencies such as local "one-stop" career centers, private industry councils (PICs), and Employment Development Department offices; and

- coordination within the colleges of programs, services, and instruction for CalWORKs participants (including assistance provided by financial aid offices and campus career centers).

The Chancellor's Office also requires colleges to establish advisory groups composed of representatives from different segments of the college to assist in the planning and implementation of the CalWORKs program.

Coordination between community colleges and county welfare departments will be particularly important in identifying students receiving public assistance as well as other welfare recipients who could benefit from community college programs, assessing the circumstances and needs of these individuals, and carrying out a number of other functions related to job placement and program accountability. While large numbers of welfare recipients were enrolled in community colleges prior to the establishment of the CalWORKs program, only about 15 percent of these students were referred to community colleges by county welfare offices. Up until now, California's community colleges typically have had little or no information about the characteristics of welfare recipients on their own campuses.

Under the CalWORKs program, welfare recipients can meet the TANF work requirements by attending college if they engage in a county-approved program of study and receive the approval of their CalWORKs case manager.[9] Approved programs of study are expected to prepare students for an occupation that is in demand in the local labor market or that is in an emerging field with documented employment potential. As part of their curriculum redesign efforts, most community colleges are creating new programs to meet this criteria and respond to the educational needs of welfare recipients, often crafting open-entry, open-exit programs that can be completed within several months and that in many instances are scheduled for evening or

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[9] State policies vary widely in the extent to which they encourage enrollment in postsecondary education and allow it to be counted toward TANF work participation requirements. Maine is using state funds to provide cash assistance to parents attending Maine colleges, thereby eliminating the need to impose TANF work participation requirements on these parents. Wyoming is using state funds to provide student aid in lieu of TANF cash assistance, and Kentucky now provides child care to any welfare recipient who needs such assistance to attend college. Many other states, however, have adopted welfare policies that have the effect of sharply limiting or denying access to postsecondary education in most circumstances. For more information, see Marie Cohen, "Post-secondary Education Under Welfare Reform," Welfare Information Network's Issue Notes, June 1998 (available at www.welfareinfo.org)

weekend hours. Nonetheless, the CalWORKs restrictions on college enrollment are likely to pose formidable barriers to the success of the state's new work-study initiative as well as other welfare-to-work efforts developed by community colleges.

Work-Study Programs for Welfare Recipients: Key Program Design Options

A number of key design issues must be addressed in any effort to establish a work-study program for welfare recipients enrolled in institutions of higher education. These issues include:

- how to establish an effective administrative structure for the program;
- which funding sources to utilize in financing the program;
- what targeting and eligibility criteria to use in selecting work-study participants;
- what types of placements to develop for work-study participants;
- how to avoid reductions in future student financial aid or in welfare, food stamp, housing, and Medicaid benefits as a result of wages paid to work-study participants; and
- how to prevent displacement of current FWS participants and supplantation of FWS funds.

In most of these areas, there is no obviously "right" answer. The history, resources, and circumstances of institutions of higher education and the communities which they serve vary greatly. Rather than prescribe a single work-study model for welfare recipients, the following discussion attempts to highlight key steps and tradeoffs that policy makers and advocates should consider in the design and implementation of such initiatives.

Establishing an effective administrative structure

In deciding how to structure a work-study program serving welfare recipients, it is important to consider which entities — educational institutions or other public or private non-profit agencies — can carry out each of the core functions of such a program most effectively. These core functions include: outreach, recruitment or

referral, and eligibility determination; job development and placement; monitoring and tracking of participant progress; financial management and reporting; and provision of necessary support services (e.g., child care).

The most effective administrative structures for new work-study initiatives are likely to be partnerships between colleges or vocational education programs and outside agencies that tap the strengths of both sets of institutions. For example, a college with a demonstrated capacity to develop high-quality work-study positions might assume responsibility for these placement functions while a community-based organization might take on the challenges of case management, mentoring or peer support, and provision of support services. This framework would allow the college to remain focused on connections between work and learning even as the community-based staff focused its attention on a broader range of personal and family needs. Many other combinations and permutations also are possible in tailoring work-study programs to respond to circumstances in specific states or communities.

The program expertise residing in colleges and universities that currently operate Federal Work-Study programs certainly is an important asset to utilize when establishing a new work-study initiative for welfare recipients. College staff involved in developing and locating appropriate work-study placements for FWS participants may represent a particularly valuable resource, as these same tasks will be required in a program serving welfare recipients. Colleges operating FWS programs also have experience in handling other key functions, including payroll administration, financial management and reporting, and coordination of work-study placements and academic programs. It is important to recognize that college staffing levels in areas such as job development and placement already may be inadequate, and that funding for additional staff is likely to be needed if colleges are to assume these responsibilities in a new work-study initiative. Yet their substantial expertise provides a strong foundation upon which to build enhanced administrative capacity.

Many different units within colleges — including job placement or career centers, financial aid offices, and community service programs — may share responsibilities for implementing the current FWS program. Any attempt to build upon the capacity and strengths already present within the colleges should involve this full range of departments and programs. In addition, some colleges and universities have established programs specifically designed to assist welfare recipients, single mothers, or other non-traditional students in enrolling, obtaining student financial assistance, adapting to a college environment, and successfully completing the requirements for a degree or certificate. Such programs could make major contributions to the design and implementation of a work-study program for welfare recipients.

There may be instances in which it is neither feasible nor desirable to rely heavily upon colleges or universities to administer a new work-study initiative. For

example, colleges in a given state or community may have a weak track record in work-study placements or little interest in operating a new program designed to serve welfare recipients. In contrast, community-based organizations or public agencies outside the higher education system may have extensive experience in operating employment-related programs for welfare recipients, as well as greater capacity to run more comprehensive programs that respond to a fuller range of family needs.

Regardless of whether a college, vocational program, or a community-based agency assumes the lead role in a new work-study initiative, specific staff should be assigned the task of working closely with the county or local welfare agency to identify eligible students and coordinate activities on their behalf. This collaboration with the welfare agency should occur on many fronts, including:

- verification of eligibility, monitoring of students' progress, and provision of effective case management services to work-study participants;
- development of reporting systems to ensure that information regarding students' participation in the work-study program is transmitted to the welfare agency; and
- provision of child care and other support services necessary for participation in the work-study program.

The development of effective working relationships with the county or local welfare agency is likely to be a key factor influencing both the initial willingness of the welfare agency to approve work-study activities and the relative ease of implementing new work-study initiatives.

Identifying potential funding sources

The type or mix of funding sources used to support a new work-study initiative for welfare recipients has far-reaching implications for its structure and eligibility requirements. Possible financing options include: FWS funds already allocated to colleges and universities; federal TANF and welfare-to-work funds; state maintenance-of-effort (MOE) funds required under the federal TANF program; and other state, local, or private revenues. However, all of these federal funding sources as well as state MOE funds can be utilized only to the extent that the work-study initiative conforms with very specific federal rules associated with the use of such funds. As a result, identifying acceptable financing mechanisms that match the focus and intent of any new work-study initiative is a key step in program design.

It may be possible to cover at least some of the costs of work-study positions for welfare recipients by requesting that colleges reserve a portion of their current FWS allocations for students receiving welfare. This approach avoids the need for financial contributions from state or local governments, although in most instances the FWS program does require matching funds from the college or off-campus employer. Recent trends in FWS funding also may increase the feasibility of such an approach: the program received a significant funding boost for this fiscal year, and the Clinton administration is seeking another increase in FWS funding for next year.

Yet the limitations of relying upon FWS funding also are quite substantial. While most welfare recipients currently attending college probably are eligible for FWS and other forms of federal student aid, many other recipients interested in enrolling in postsecondary education and participating in new work-study initiatives will be unable to meet FWS eligibility requirements. Students who participate in the FWS program also are likely to receive FWS awards that are too small to allow recipients to work at least 20 hours per week and thereby satisfy TANF work participation requirements. Colleges have limited ability to increase the size of FWS awards to welfare recipients because they must ensure non-discriminatory treatment of other low-income students in the allocation and use of FWS funds. Taken together, these factors are likely to impede efforts by states or local communities to tap FWS funds as a financing mechanism for new work-study initiatives.

Basic federal TANF funding provided to states, as well as state MOE funds required under TANF, also can be used to support work-study initiatives for welfare recipients. This option may be particularly promising in states that have experienced substantial declines in their welfare caseloads and have the opportunity to reinvest resulting welfare savings. Because welfare recipients participating in a work-study program are likely to continue to receive at least some TANF-funded cash assistance in addition to their earnings, they already will be subject to TANF requirements (such as federally-mandated time limits on cash assistance) and those requirements will not change if TANF funds are used to support the work-study program. Participation in a TANF-funded work-study program could pose problems, however, for parents who do not continue to receive cash assistance. Federal rules currently stipulate that, if federal TANF funds are used to subsidize wages in a work-study or other publicly-funded jobs program, the period of employment in that subsidized job will count toward the individual's five-year limit on cash assistance.[10]

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[10] This result can be avoided by segregating state MOE funds used to pay work-study wages from federal TANF funds and by ensuring that participants receive enough work-study (or other) earnings so that they no longer need a cash benefit under TANF. In some states, however, competing claims on state MOE funds may make this result difficult to achieve.

Federal welfare-to-work grants from the U.S. Department of Labor offer another possible funding source for work-study positions for welfare recipients, at least during the next several years. These grants can be used to finance any form of subsidized employment, including but not limited to work-study placements. Much of the $3 billion in available funding will flow through states to local private industry councils (PICs), although states will retain a portion of these formula funds for state-administered programs and more than $700 million will be awarded directly to local communities and non-profit organizations through competitive grants. Because the welfare-to-work grants are new, these federal funds may not yet be committed to other projects. However, reliance upon welfare-to-work grants may bring significant disadvantages as well: these funds may disappear after two or three years if this temporary program is not reauthorized by the Congress, and they must be used to assist longer-term welfare recipients or non-custodial parents with multiple employment barriers or to help recipients with characteristics associated with long-term welfare dependency.[11]

State general revenues (or other non-federal funding sources) may afford the greatest flexibility in designing and implementing a new work-study initiative for welfare recipients because they are subject neither to the requirements of the FWS program nor to restrictions associated with the use of federal TANF and state MOE funds. The CalWORKs program described above provides an illustration of this approach, financing work-study positions with state revenues reserved for education under California's Proposition 98. The presence of general fund surpluses in numerous states suggests that the option of drawing upon state revenues to support work-study placements for welfare recipients should not be dismissed. Local funding, foundation grants or other private donations, and unrestricted funding within colleges represent other financing options that may be adequate to support small-scale initiatives, finance start-up activities, or provide matching funds for a more ambitious effort.

Finally, creative combinations of these various financing sources deserve consideration. For example, in colleges where a majority of students receiving welfare meet FWS eligibility criteria, a new work-study initiative might combine FWS funds with federal welfare-to-work, TANF, or state MOE funds to cover the costs of 20 hours per week of work in work-study placements. Similarly, federal welfare-to-work grants could provide a funding base for a new work-study effort, with remaining portions of an overall budget drawn from federal TANF or state MOE funds. This creative blending of different funding sources may restore some of the flexibility in program design otherwise lost when relying solely on one financing mechanism to support a work-study program.

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[11] As with TANF-funded wage subsidies, any period of employment in a work-study position or other job subsidized with federal welfare-to-work funds under current federal rules will be counted toward the five-year lifetime limit on cash assistance under TANF.

Selecting a target population

New work-study initiatives for welfare recipients can be targeted to serve a variety of different groups already engaged in, or with the potential to benefit from, postsecondary or vocational education. The broadest approach would make work-study positions available to any parent receiving welfare who already is attending or who chooses to enroll in a college or vocational education program. This strategy could be expected to have the greatest impact on welfare recipients' access to education and work-study placements.

In practice, eligibility requirements imposed by major funding sources (e.g., FWS, TANF, and federal welfare-to-work grants) are likely to restrict, at least to some extent, the targeting options within any new work-study initiative. A program relying principally upon FWS funds would be forced to serve mostly those individuals who demonstrate unmet financial need (based on federal student aid rules) and meet other FWS eligibility requirements. If financed by federal welfare-to-work grants, a program would have to place an emphasis on serving welfare recipients or non-custodial parents with multiple barriers to employment. Only a program financed completely with state, local, or private funds is likely to have total flexibility in deciding which individuals to serve.

State or local policies regarding enrollment of welfare recipients in two- or four-year colleges are likely to impose further constraints on targeting options within a new work-study initiative. Many state and local welfare agencies now permit enrollment only in relatively short-term postsecondary programs that are perceived to be closely linked to career preparation and job placement. Others allow welfare recipients to complete a course of study if they are within a specified time period (e.g., one year) of completing a degree, but refuse to approve new enrollments in programs leading to two- or four-year degrees. To the extent such policies are in place and cannot be revised as part of discussions related to the design of a new work-study initiative, they would need to be reflected in the program's eligibility and targeting criteria.

Particular policy goals and institutional considerations also can guide targeting decisions. The California work-study initiative serves only those recipients who are enrolled in community colleges. Philadelphia's welfare-to-work program will create work-study opportunities specifically for teen parents who have completed high school and could benefit from postsecondary education. Some states or communities may choose to reserve work-study positions for welfare recipients who are approaching federal or state time limits on receipt of cash assistance. Others may wish to provide additional hours of work for recipients who are already participating in or eligible for

the FWS program but who otherwise would be unable to work sufficient hours to meet TANF work requirements.

Any new work-study initiative should include provisions designed to ensure that students participating in the program will be able to benefit from postsecondary or vocational education activities and are making satisfactory academic progress during their period of enrollment. The FWS program includes requirements of this nature, although some colleges have found that these federal standards leave little room for disruptions in welfare recipients' educational activities caused by personal and family crises. New initiatives financed with other federal, state, or local funds could adopt more flexible standards to respond to these problems while still assuring that participants are moving toward fulfillment of their academic and employment goals.

Developing placements for work-study participants

Placement decisions for students participating in a new work-study initiative should attempt to minimize the burdens of juggling school and work while also reinforcing, to the extent possible, participants' academic program and career interests. Accomplishing both goals may prove quite challenging, particularly given that low skill levels frequently limit placement options for many students. On-campus placements for college students are likely to be appealing because they simplify the logistics of traveling between classrooms and work sites. Some types of on-campus employment, including positions in libraries and academic departments, also may contribute directly to participants' academic performance. Off-campus assignments with public or private employers offer different advantages: they provide a more diverse range of work environments from which to choose and they may be more likely to provide work experiences that lead to future employment. These off-campus positions, however, also increase the likelihood of transportation problems and scheduling conflicts that may prove difficult to overcome.

The mix of placements available in a new work-study initiative may depend in part on whether the program is being administered primarily by educational institutions or whether community-based organizations also play important roles. If colleges are responsible for developing work-study placements, the program may emphasize on-campus work and pay less attention to the development of work-study positions with off-campus employers. In programs that give non-profit agencies or community groups this placement function, the reverse may be true. These natural tendencies offer another reason why partnerships between colleges or vocational education programs and community-based organizations may yield the best results, increasing the likelihood that a broad range of placement possibilities are available to participants and that the program can respond appropriately to their interests and needs.

As in other publicly-funded job creation programs, work-study initiatives also provide opportunities to undertake work projects or activities that respond to pressing community needs. While no single set of work projects will make sense in every state or community, promising possibilities include placements in child care and Head Start centers, schools, community centers, after-school and summer recreational programs, community-based health care facilities, and health outreach programs. The link between work-study placements and community needs can be strengthened by seeking proposals for work projects from community-based groups and holding neighborhood meetings to solicit input from local residents. Such steps no doubt add a measure of complexity to program planning efforts, but they may have a big payoff down the road: success in addressing community needs can play an important role in generating community support for job creation projects, including new work-study initiatives for welfare recipients.

Avoiding unintended consequences in the treatment of work-study earnings

Because many students receiving welfare are likely to be subject to rules imposed by both welfare and college financial aid systems, it is important to consider how income earned in work-study positions may affect their welfare and financial aid benefits. The stakes for welfare recipients who participate in a new work-study initiative could be quite substantial. Under some circumstances, their earnings could be partially or completely offset by reductions in current or future benefits in welfare, financial aid, or other means-tested benefits if the initiative is not designed to avoid such a result.

A first priority in the design of a new work-study initiative should be to ensure that work-study earnings are not counted as income for purposes of determining eligibility and benefit levels in welfare and other means-tested programs such as food stamps, housing assistance, and Medicaid. Under federal law, FWS earnings are treated as wages for tax purposes but cannot be counted as income in federal means-tested benefit programs. As a result, FWS earnings should not affect any benefits that participants receive under TANF, food stamp, housing, and Medicaid programs.

States do not have the authority to ensure that earnings under a state, county, or local work-study initiative are similarly excluded from income by all federal benefit programs, but they can make this choice when determining eligibility and calculating benefit levels for TANF cash assistance. Pennsylvania's welfare agency already has decided not to count state-funded work-study earnings as part of an individual's income. Earnings under California's work-study program for welfare recipients currently are being counted as income by many county welfare agencies, but that

policy may soon be changed.[12] A proposed amendment to the CalWORKs statute would prevent earnings in state-funded work-study programs, including those administered by the state's community colleges, from being counted as income under TANF.

In many instances, it may be possible to avoid offsetting reductions in food stamps, Medicaid, and public and assisted housing as well. The food stamp program generally does not count work-study earnings as income if they are educational benefits provided to cover the costs of tuition, fees, books, and supplies.[13] Medicaid programs generally are required to exclude all forms of educational assistance, including work-study earnings, from income when determining the eligibility of families and children for health benefits. Finally, the primary federal housing programs that assist poor families (including Section 8 rental assistance as well as public housing) exclude from income all educational assistance as well as incremental earnings from many employment training programs designed to help participants acquire employment skills.[14]

Preventing work-study earnings from triggering reductions in student financial aid in the following year also should be an important goal in program design. Because FWS earnings are included in the financial aid "package" provided by the college to participating students, they are not counted as income available to the student when determining future eligibility for financial aid. However, earnings under a new work-study initiative in some instances may exceed the level of "unmet need"remaining under federal student aid rules after other forms of student aid are considered. Work-study earnings that exceed unmet need are likely to be treated as outside income available to the student for educational expenses during the following year, triggering reductions in Pell grants or other forms of need-based student aid for that year.

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[12] In those instances in which CalWORKs work-study earnings are treated by counties as income for purposes of TANF, California's general earned income disregards still apply — that is, welfare recipients participating in work-study programs are allowed to keep the first $225 of their monthly earnings and 50 percent of any additional earnings each month.

[13] Even when individuals receive educational benefits from more than one source, states can choose to count work-study funds toward tuition and other educational expenses and subsequently count other student aid (that would be excluded from income in any event) toward living expenses. Welfare recipients enrolled in college who otherwise would be required in many cases to work 20 hours per week in order to qualify for food stamp benefits also become exempt from this general requirement by participating in either federal- or state-funded work-study (regardless of the number of hours they work).

[14] For tenants in public housing units, the exclusion of earnings from some employment training programs also applies to earnings received during an 18-month period *following* participation in the program. For recipients of other forms of federal housing assistance, this exclusion applies only to earnings received during the period of participation in the program.

Many parents receiving welfare have large amounts of unmet need because they incur large child care costs while attending school. In these instances, work-study earnings may be easily accommodated as part of their financial aid packages. Welfare recipients enrolled in shorter-term postsecondary programs also may have no need to worry about the impact of work-study earnings on future financial aid eligibility. Yet for other work-study participants — particularly those enrolled in two- or four-year degree programs who have little or no unmet need — the prospect of substantial losses of student financial aid during the following year may prove troubling.

None of the potential difficulties outlined above are insurmountable. Indeed, in the great majority of instances, welfare recipients who participate in new work-study initiatives will end up better off financially even after any offsetting reductions in federal means-tested benefits or student financial assistance are taken into account. Yet the rules in all of these areas are relatively complex, and in many instances allow for considerable local discretion in their application or interpretation. For these reasons, policy makers and advocates should consult with state and local administrators of federal benefit and student aid programs in order to minimize these unintended consequences for work-study participants. New work-study initiatives for welfare recipients also should include individualized assistance to help participants negotiate these complex public benefit and student aid systems and ensure that their earnings are excluded from income to the maximum extent possible under federal and state law.

Preventing displacement of FWS participants and supplanting of FWS funds

New work-study initiatives could expand substantially the job and education opportunities available to welfare recipients. Unless such initiatives are carefully designed, however, their net impact could be diminished by offsetting cuts in the number of FWS participants employed (or FWS funds used) by colleges and other institutions of higher education. Decisions about whether or not to require colleges and off-campus employers to pay a portion of participants' wages deserve particular scrutiny to ensure that new initiatives are not creating unintended financial incentives to shift college students out of FWS positions and into work-study jobs under a new program.

As discussed earlier in this paper, the FWS program requires that colleges, public agencies, and non-profit employers provide a 25-percent match for the wages of FWS participants, and that for-profit employers provide a 50-percent match. Some colleges do not use their full allotment of federal funds under the FWS program because they cannot afford to pay the required match for on-campus positions and fail to identify off-campus employers in sufficient numbers that are willing to pay a portion of participants' wages. This situation poses a dual risk that should be considered in the design of any new work-study initiative for welfare recipients: similar matching

requirements may lead to an underutilization of the new funding by colleges, while the absence of matching requirements in a new program could cause some colleges simply to substitute these new funds for current FWS funds in a manner that results in little or no net increase in work-study positions.

In the CalWORKs program, community colleges are required to put up a match similar to that required under the FWS program, although they have considerable flexibility in deciding which funds to use for this purpose. The matching requirement thus far has not prevented colleges from making full use of the work-study funding available under CalWORKs. An alternative approach would be to drop the matching requirement in a new work-study program but require assurances from participating colleges that they will continue their current level of participation in the FWS program and that they will not use new funds to supplant FWS funds. In the absence of a matching requirement, colleges also should be encouraged or required to ensure that off-campus employment opportunities currently available to FWS participants will not be diminished as a result of the availability of new work-study funding that does not require off-campus employers to pay part of the cost of wages for participants.

Conclusion

The Federal Work-Study program has operated for more than 30 years, and many colleges and universities continue to use the program to provide employment opportunities and student financial assistance to students from low-income households. The success and popularity of this program both suggest that it offers a valuable model for creating publicly-funded jobs for welfare recipients while also enabling them to enroll or remain in college or vocational education.

Work-study initiatives alone will not address the full range of challenges facing states and communities as they develop and expand their welfare-to-work activities. Some welfare recipients will be inadequately prepared for postsecondary programs or unable to juggle the demands of simultaneous participation in school and part-time work. For many other recipients, however, the combination of work and learning offered by work-study initiatives will represent their best opportunity to acquire new skills and eventually secure stable employment at family-supporting wages.

As states and communities search for new and more effective mechanisms to break the cycles of poverty and welfare use among needy families with children, work-study initiatives for welfare recipients deserve careful consideration. The likely alternative — sharp reductions in welfare recipients' access to postsecondary education — ultimately may undermine the efforts of states and local communities to promote long-term economic self-sufficiency among their poorest residents.